Jimma University
Faculty of business
Department of management

Prepared By
Lelise Aberra

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Factors Affecting The Implementation Of New Product Development In Faffa Food Share Company

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Abstract

New product development has an important role in the implementation of both corporate and Marketing strategy, and the development of new products should involvement of all elements of the business. Because of the high rate and cost of failure for new products, it is imperative that firms develop systematic procedures for identifying and screening new products development.

However the efficient implantation of a new product plan requires effective pricing, advertising and other marketing programs. The product life cycle concept is especially important to the Marketing strategy planning. It shows that a firm needs different Marketing Mixes- and even strategies. This is an important points because profit changes during the life cycle.

The failure rate of new product is high- but it is lower for better managed firms that recognize product development and management as vital process.

The focus of this study was on how to develop new product to the faffa food share company in order to maximize the profit as well as the demand for its product by identifying the problem and the reasons for failure in implementing the development of the product.

Acknowledgement

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Factors affect the implementation of new

Product development

Introduction

Background of the study

Developing new product should be a total company effort. The whole process involving people in management, research, production, promotion, Packaging and branding-must move in step from early exploration of ideas to development of the product and marketing mix. Even with a careful development process, many new products do fail-usually because a company skips some steps in the process. Because speed can be important it is always tempting to skip needed steps when some parts of the process seems to indicate that the company has a "really good idea". But the process moves in step gathering different kinds of information along the way. By skipping steps a firm may miss an important aspect that could make a whole strategy less profitable- or actually cause it to fail (Madique and Ziger, 1984).

Faffa food share company is found in Addis Abeba in Kebele 19, Woreda 55 around saris in Debezeit road. This company was established in 1954 by the agreement between Ethiopia and Swidish government, the aim of the company at the time was to help many children suffering from starvation because of the lack of balanced food by providing them food enriched with protein at a lower price and make them grow healthy.

The company is one of the flour and flour processing factory, which is engaged in the production of wheat flour Dubie Duket, Shiro, infant foods locally known as Cirifam, Famix, Fafa, Ediget Milk etc. the main ingredients are wheat, maize/ corn, soyabeans, Chick peas, sugar full fat milk, skimmed milk, non-fat soyabeans powder, iodizesalt, vitamins and mineral premix. It has a capacity to produce 110 tonnes per day. The client of the company include UNICEF, WFP (World Food Program) and non governmental aid organization, super Markets, shops and the public at large. The products are supplied to the public and vulnerable people, for instance, infants family and famine victims, displaced people, refuges...etc.

The factory has about 300 permanent staff, among which about 10 are professionals (BSC, BA and above). There are also considerable number of semi-professionals.

The company has the capacity as well as the potential to produce different kinds of products for the society and the customer but if focuses mainly on producing some limited products for those

clients (UNICEF, WFP and non-governmental aid organization) based on order placed by them. This by itself creat a great problem for the company as the number of orders are limited.

It is observed that WFP and UNICEF may order some usual food products for those famine victims from Faffa food share company. But private enterprises are developed many regions by now who may supply with a good quality at a fair price. So, those clients of Faffa food share company are not dependent on this company alone for the purchase of different food products, but they also have some suppliers in other places. In this case what is possible is that, one day all or some of these important Clients may shift to the other companies and the total production of the faffa may be in trouble because they almost depend on there clients (UNICEF and WFP), especially on WFP for a large volume of their sales.

But if the company produce different kinds of products and if it distributes and sells these products for its customer and known clients the company can be profitable and competent. In addition the company has developed new products since it has the capacity and it covers some of its sales and profit problems. If we observe the problem of the company which is-As it is planned to undertake privatization, Massive projects and capital intensive expansion are not allowed. This in fact hinders implementation of new product diversification, that are expected to boost its sale. Example – Soya-Milk and soya-oil extraction plant is partially erected but is not yet completed.

Statement of the problem

The research has attempted to identify the most important factors that affect new product development efforts in the company. Here the factors that affect new product development efforts will be understood as independent variable and the new product development effort as a dependent variable.

The General Objective of the study

The general objective of this research is to find ways of enhancing new product development efforts for the Faffa food share company.

The Specific Objective

This specific objective of this research is to observe what benefits the company will get by developing new products and to:

- determine the challenges the company face in developing new products and how to overcome them.
- Identify organizational structure that are used to manage new products and how to design one.
- Determine the main stages in developing new products and how can they be managed better.
- Identify factors that affect the rate of diffusion and customer adoption of newly launched products and how to handle there factors effectively to the benefit of the company.
- To determine those factors which can inflence the implementation of new product development.
- To identify those factors which lead to the failure of new product development.

The Significance of the study

The importance of undertaking these research in the case of faffa food share company for developing new product is that since the company is one of the flour and flour processing for different kinds of food products it has the capacity to produce some new products to increase its profitability.

One of the problems of the company is in the sales and profit from that sales activities. That is to say the product of the company do not enjoy much demand in the market and because of that its profit are always not attractive. From its establishment the company produce and sell at higher price at which most of the middle or lower class society can not afford to buy the company's product. Moreover, consumer awareness of the company's products is also low due to lack of effective promotion.

Since its aim is to produce and supply mostly for WFP or UNICEF for the support of the famine victims, the company does not bother to distribute or sell to other customers for other purpose. But sometimes the supermarkets or shops or other private supplier may order or buy many products from them. But it is possible for this enterprise to produce and sell products forthose who wanted to purchase what they supply for different purposes. They do have 7 or 8 branches of outlets indifferent region to sell their products, but the profit which could be earned or gained from all there branches is not satisfactory. But if in addition to the existing products if they develop some new food products either through modifying what they already have or by creating new ones and introduce them to the market through advertisement, the company may get enough profit by increasing its sales.

The enterprise can improve its aim by adding some new channel to its production, that is to say they can produce and supply for different private or public organizations without depending on WFP or UNICEF alone for its high sales volume.

Generally the importance of taking this research study is to make them aware that there are many possibilities and options to improve the existing products line to be more profitable and competent, since they have the capacity to do so.

Scope of the study

In order to get the important information for the research much or all focus was given for the commercial departments like purchasing, sales, quality controller and General Manager department. And that is why the study focused on target groups for complete information.

Materials and Methodology

The study was based on a cross-sectional analysis and the research was descriptive in nature.

Method of Research design

The research was conducted using exploratory designs because the purpose of exploratory research is intertwined with the need for a clear and precise statement of the recognized problem. Exploratory research was conducted for three interrelated purpose.

1. Diagnosing situation
2. Screening alternative and
3. Discovering new ideas.

Method of Data Collection

The data gathering was based on survey method. It includes both primary and secondary data collection. But much focus was given for the primary data in which more information was collected by conducting interview with selected groups. The respondent participated by interacting with an interviewer.

When collecting data an experience survey was conducted which constitute a small number of interviews with some carefully selected people.

The study focused on the top management/ mangers from each selected departments like purchasing, sales and the General Managers. Since they are very few in number one or two person were interviewed from each department.

The personal interviews are generally expected to last between 35-45 minutes and the interview was conducted to those focus groups in such a way that it is structured, free-flowing interview with a small group of people. It is not a rigidly constructed question- and- answer session, but a flexible formatted discussion of a new product development.

The focus groups are selected for conducting interview and they expressed their true feelings, anxieties, and frustration, as well as the depth of their convictions, in their own words. But as to this study, the primary reason for targeting on the focus group is that most of the employees are not educated, especially lower level workers and because of this the focus is on the higher (top) level managers.

Method of Analysis

After the data collection the process of analysis begun. During the analysis stage several inter related procedures are performed to summarize and rearrange the data.

The conversion of raw data in to information requires that the data be edited and coded so that they transferred to other data storage media.

Raw data were edited and coded to be put in to a form suitable for analysis. Editing involves checking and adjusting for errors or omission on interviews or other data collection forms. Its purpose was to ensure completeness, consistency and readability if the data.

Coding is the process of identifying and classifying each answer with a numerical score or other character symbol.
So, the analysis was based on the information gathered during data collection through both primary and secondary source.

Limitation of the study

1. The study was conducted specifically for faffa food share company and may not be generalized.
2. Incomplete responses and respondent influenced the result of the study.
3. As lower level workers, who are mostly illiterate, are not included in the sample, it was not fully a representative of the total population.

INTRODUCTION

Constant change in the Market environment and in customer needs make it imperative that market-oriented firms contentiously improve old products and create new ones if they are to remain competiv and profitable. One react study of product development activity concluded that companies that led their industries in sale growth and profitability generated half of all revenues from products introduced within the previous 5 years. In contrast the least successful firms in those industries derived only 11% of their sale volume from such products (power,1993).

However, although the importance of new product is undeniable, product development is a costly activity filled with uncertainly. Indeed, a review of numerous studies on new product development concludes that, of those new products that actually reach the Market place, about 35% fail. Additionally the majority of new products that undergo development never ever reach the market. (Robert,1993) As a result firms are spending a very substantial amount of time and Money on new product development efforts that yield no pay off.

Because of the cost and uncertainty associated with new product development, an increasing amount of attention has been devoted to designing processes and analytical tools for Managing this activity.

When we speak of "New" products it is important to clarity just how new the product is and to whom it is new. More specially a product can be new to the Market, meaning no firms has produced or Marketed this product before, and/ or new to the firm. In the latter case, other firms may already be offering some version of the product. Additionally, newness is also a matter of degree.
Essentially, all product development activities will result in one of six types of new product. (Booze, Allen and Hamiton, 1982).

1. new to the world products are products that create entirely new markets, initiating completely new product life cycles.
2. New product lines are products that represent entires into existing markets that are new to the firm.

3. Additional to existing lines (also known as line extension) are new products that allow a firm to extend its served market by offering different benefits or different levels of benefits.
4. Improvement to existing products are usually designed as replacement for existing product offerings. They offer enhanced performance or greater received value.
5. Repositioning is a very modest technical development that allows a product to offer new application and serve new needs.
6. Cost reduction are versions of existing products that provide comparable performance at lower cost. Although not really "new" from a marketing perspective, these products can impact a firm's production, operation and competitiveness.

Product improvement, repositioning and cost reduction would normally be perused to maintain successful head to head or differentiated positioning marketing.

Also, the newer a product is to the firm, the greater the uncertainty about a firm's ability to design, produce, and market a quality product in a competitive way, in other words the concern becomes whether there is a good fit between the product and the firm's core competencies.

However, whereas less newness reduces the risk of poor market response or of a poor company fit, fewer pay offs are also likely numerous studies have demonstrated that the earlier entrants to a new market are likely to obtain the highest market share. This occurs because the first companies or brands in the market can establish brand loyalties before competitions enter, and because late entrants have great difficult in gaining distribution (kalyanaram, Robinson and Urban, 1995).

Back Ground Of the Study

The feasibility study of low cost extruded weaning food

The history of Faffa goes back to the early years of the children's nutrition unit (CNU), latter Ethiopian Nutrition Institute (ENI) from the beginning it was regarded as essential to develop a product which could help to improve the nutritional condition for large group of malnourished children at the institute of medical chemistry Appsal university, sweden, basic studies were carried out and recipes devised, there recipes were later tested in Ethiopia, First among the children of CNU's staff and finally for years in long scale field trial in and around Addis Ababa.

From the very beginning the Faffa project has been financially and technically supported by SIDA (Swedish International Development Association) and the government of Ethiopia and given the factory the right of duty and taxes exemption for all its products distributed respectively.

Then starting from loth of Nov 1992 the council of Ministers on its industrial public enterprise establishment proclamation Nov 25/1992 established Faffa food Factory as enterprise.

Due to the above proclamation the objectives of the factory totally changed and to adapt to the new proclamation the factory has changed the selling price of all its products 400% more in 1992 on ward than the price which was before 1992.

Moreover, the factory's designed capacity is 21,600 MT/year but is forced to reduce its capacity to 19,151 MT/year due to the following reasons.

1. Sales problem

   This is because the sale price of almost all the faffa food share company's products have increased by about 400% because of price increase of raw materials. eg. Price of faffa commercial has Increased from birr 110/qts in 1980 to birr 451.19/qtes. In 1987 E.C. which is 600% more.

Details are a follows

No	Types of product	In 1980 E.C birr 1 qtl	In 1987 E.C. birr 1qlt	Ratio B/A
1	Faffa relief	100.00	451.19	4.1
2.	Faffa Commercial	83.00	500.00	6.0
3.	Dube relief	94.60	333.82	3.5
4.	Dube commercial	112.00	350.00	3.2
5.	Edept milk in plastic	465.00	1538.65	3.3
6.	Edget milk in cans	633.33	2222.20	3.5
7.	Cerifam	528.57	857.14	1.6
8.	Famix with sugar	-	325.25	-
9.	Famix without sugar	-	253.09	-

2. Diversification of products

Because of other products could not be sold at the designed capacity the factory has developed a product called famix.

Which is a blended food manufactured from local raw materials, Maize 79% full fat, soya flour 20%. And imported 1% vitamin and Minerals, by roasting and milling process substitute high price and low fat content faffa and this process makes or forced the factory to change its designed capacity as stated above. Accordingly they are forced to use the same production line as in roaster turn by turn for faffa food famix, for chick pea and whole soya respectively and the storage bins are also used turn by turn for both products which they could not accommodate at the same time all chick pea, soya bean and maize flour and as a result it reduces the capacity and compelled to use turn by turn.

Project Background

The feasibility study has become necessary to justify the supply of extrusion line by world food program (WFP) at economic value to faffa food factory which the extrusion unit and accessories have a commercial value of USD 450,000 however, due to special arrangement of WFP the equipment has been procured for USD 150,000 which later value they like to consider as the economical value of the equipment.

In view of the above WFP intends to make available a complete Inst-pro Extrusion with a capacity of approximately 1500kg/hr or 10,000 MT annually in order to increase production and reduce manufacturing cost.

However, in line with free market policies and considering the commercial relation between WFP and faffa food factory with the prevailing price agreement which includes a profit component, it is not deemed suitable for WFP to donate this equipment free of charge to faffa food factory. At the same time this provision of additional equipment will not undue burden faffa food compan's financial position.

Therefore the following arrangement is proposed:

1. Faffa food share company factory receives from WFP an extrusion line, valued at USD 150,000 with a capacity of 10,000 MT/year for the manufacturing of corn soya blend, famix.
2. Faffa food factory will issue credit WFP for every MT of famix, ordered by WFP and processed with the extrusion line, the equivalent of USD 7.5 birr until such time, that a total amount of USD 150,000 has been compensated.
3. Faffa food factory accepts this equipment under the condition that it will compensate WFP for the economic value of the equipment.
4. The funds generated in this way will be used by WFP to support devlopment activities in Ethiopia.

Basic consideration and History

Since import substition is one of the main objectives of fafa food factory it is necessary to compare the production activity of this factory with the global improvement of current ideas about dry nutrition products, such as corn soys blend (CSB) which is produced by the American company (protein grain products international.)

For some years it has been known that low cost extrusion (LCE) technology offered a simple means of cooking and preparing nutrition's foods and food supplements which appear especially appropriate in developing countries studies have been conducted by American Universities and aid- funded organizations in this respect. Specially the Instoy or international soya bean program at the university of Illinois is mainly geared with the development of soya foods.

During 1950-91 insto-pro was installed in Malawi for the purpose of meeting demand for nutritious precooked foods in the Mozambican refugee camps. This proved so successful that a total of three extrudes (total production capacity approximately 20,000 tons/year) were eventually installed there. In addition to supplying refugee requirement the extruders food stuffs have been adapted for use in the Malawi national Schools Food progrmme.

Following the Malawi success story UNICEF/WFP encouraged establishment of similar food production units in kenya. Aimed originally at meeting food aid requirements of the somali refugees, this has now been extended to include the kenya schools feeding programme.

Similar projects have now been established in Uganda, Zimbabwe, Mozambique, El-Salvador and Jamaica, all using Insta-proextrudes as the core processing units (source insta-pro Europe U.K)

Effective Organizational Arrangement

Successful new product development requires the company to establish an effective organization for managing the new product development process. An effective organization begins with its top management.

Top management is ultimately accountable for the success of new products. New product development requires management to define the business domain and product categories that the company wants to emphasize. Thus the top management must establish specific criteria for acceptance of new product ideas especially in large multidivisional companies.

As in any food processing plant, quality measures are important integral parts. The faffa food plant has a research and product development unit to continuously monitor the quality of its products and also initiate and develop similar formulas when necessary. All raw materials, finished products and packing materials are under constant tests, both in production process as well as in storage.

The test range from simple visual inspection of grains to a complex bacteriological and chemical tests undertaken both in the factories quality control laboratory and at the national laboratory of the ENI (Ethiopia Nutrition Institute) periodically samples are also Expected to uppsala university of Sweden for further analysis and confirmation. On this basis, new formulas are developed, tasted for their acceptance and palatability especially when new products are initiated.

Companies handle the organization aspect of new product development in several ways: the most common of these are:-

- Product manger: Many countries assign responsibility for new product ideas to their product manager.
- New product manager.
- New product department

Market size and plant capacity

As it is stated in the agreement between faffa and WFP in the supply of a complete extrusion line. "Faffa food factory will issue credit WFP for every MT of famix, ordered by WFP and processed will the extrusion line, the equivalent of USD 7.50 in birr, until such time that a total amount of USD 150,000 has been compensated"

The justifies that WFP is going to order extruded product a minimum of (USD 150,000/USD 7.50) = 20,000 M.T. since the annual production of the extrusion line is 10,000 MT the whole two years all the products produced is going to be purchased by WFP.

WFP plans to distribute this cornsoya blend which is going to be fortified with vitamins and Minerals, premixutre to mothers and children including the most vulnerable group of population and as special programme the school in Ethiopia which is already started jointly WFP with the ministry of education.

Domestic Raw materials Production Capability

The most economical production of the major raw materials is now considered and in particular the extent to which raw material, could be supplied domestically 99% and only 1% of vitamins and Minerals is going to be imported.

Location and Site

This expansion project is intended to increase production and reduce manufacturing costs. The basic philosophy of this approach is, that the price, the affordability of the weaning food, is the principal consideration. Subject to availability of building suitable electricity and water supplies it would be quite possible to establish this project are relatively low cost, in an area closer to the market area.

Economic Analysis

The aim of economic analysis is to present the true or underlying cost and benefit of the proposed project allowing for any distortions in the home market. The contribution of the proposed project to the economic welfare of faffa food factory would be measured using value added to the factory.

Source or finance

The capital required for the purchase of the extruder machine would be obtained from WFP in short term loan free of interest charge. This loan will be repaid by deducting birr 47.25 from each tonne sales of extruded famix produced to WFP.

Technology/ Engineering

The blended food could be manufactured using any of the following processing methods.

Roasting / Milling

Cereals, pulses and (it applicable) oil seeds are separately roasted at a temperature not exceeding 180 C/350 F. the roasted product is milled in to fine flour and mixed in the correct amount. Subsequently, the flour is homogeneously mixed with vitamin/ Mineral, supplement and (it applicable) the vegetable oil.

In this methodology, faffa food factory in collaboration with WFP diversifies a product called famix and the facory makes a lot of profit in addition it satisfied the customers of the factory For example WFP and CRDA are the main consumers or famix.

Despite of the factory faces, minor raw materials shortage and technical problems specially the hammer mile section Fan motor. To solve this problem WFP has help the factory in importing spare electric motor for the hammer mill section fan motor.

In the production of famix the company or factory is limited its capacity to 10,000 tap while the demand is 20,000 tpa.

To solve this problem it is necessary to have an additional processing line to improve the capacity equivalent to the current demand of the NGO's of the blended food.

Extrusion

Cereals, pluses and (if applicable) oil seeds are mixed in the correct amount gritted and precooked through extrusion. (at a temperature not exceeding 160c/1320f) the extrusion product is milled into fine flour.

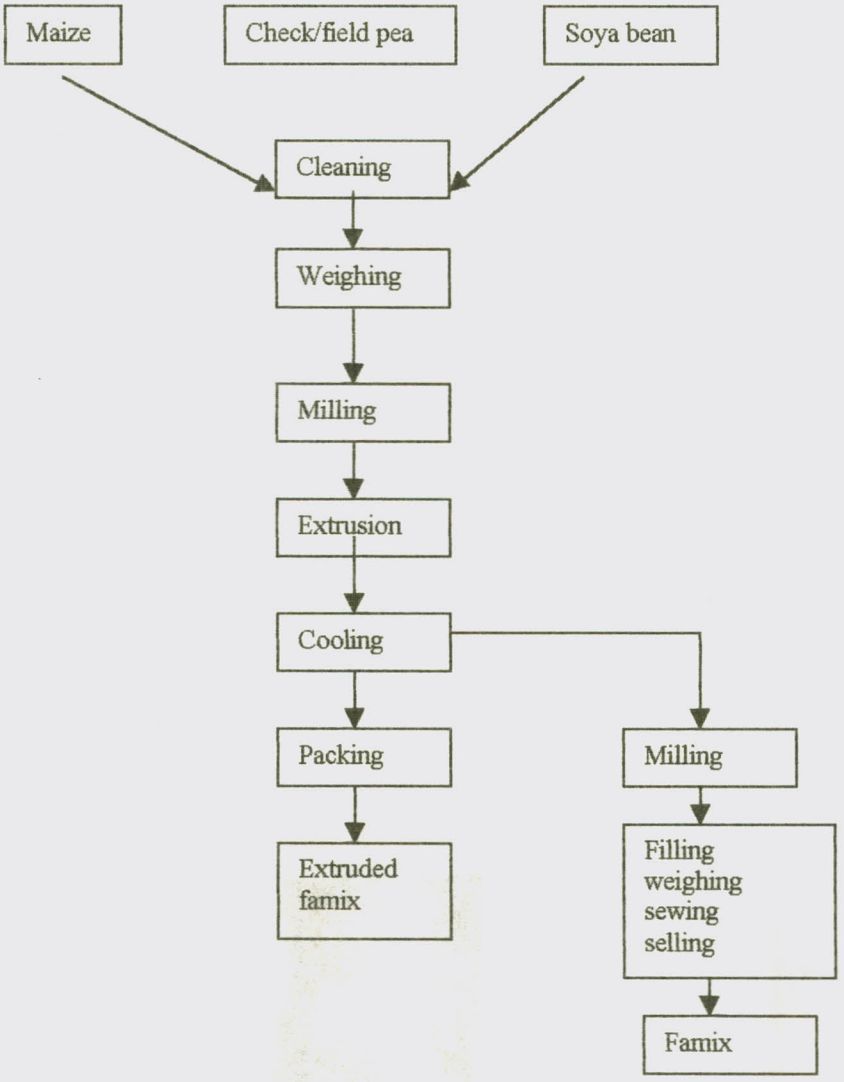
As it is stated above this extrusion line is going to be erected in faffa food factory as feasible expansion project. The major advantage of the units is that they are virtually read to operate on arrival all this is required is connection of the panel to main electricity supply.

Since the unit will allow as proportion, grind and mix ingredients prior to extrusion and a horizontal cooler is included for final cooling of the product faffa is asking the WFP to include for the above stated equipment, one dry destroyer in the pre-cleaning part of the expansion project since there is no spare capacity in the factory for cleaning and a hammer mill with coaxial blower which is going to mill the final extruded product before it is packed.

At the input end hopper is supplied to accept intake of product in sacks at the output a conveyor discharges finished product at approximately 2.5M height for here you would need either to deliver the product to a finished product store or alternatively a begging unit.

Process flow diagram

The main steps in production are dry cleaning, weighing, milling, extrusion, cooling and final milling the extruded product if necessary mixing, with vitamins and minerals, filling and weighing sealing and sewing as shown in the diagram below.



Product specification

Product specification for local manufactured pre-cooked fortified blended food from WFP/UNICEF/ UNHCR based on the guidelines of formulated supplementary foods for older infants and young children of the codex alimentarius (edition July 1991).

1. The blended food shall be suitable as a dietary supplement for older infants and young children as well as other vulnerable groups for serving as porridge, gruel, or an extender to other foods.
2. The blended food shall be manufactured from fresh ingredients of good quality.
3. The production process shall be in accordance with the code of sound manufacturing practices and the guidelines on formulated supplementary foods for older in fants and young childrens of codex alimentarius.
4. The blended food is a mixture of the following ingredients.
   - cereals like maize, white sorghum, wheat or combination, providing carbohydrates.
   - Pulses
   - Vitamins/ minerals supplement
   - Sugar.
5. the blended food shall be manufactured using the following process "Extrusion"
6. The finished blended food shall meet the following requirements.
   A. Taste: It shall have a pleasant smell and test which young children will like and enjoy.
   B. Shelf life:
   C. Flour characteristics
   D. Dispersisiblity
      It shall be from lumping or balling when mixed with water of ambient temperature.
   E. Cooking time: It shall be suitable for older infants after cooking time not exceeding ten minutes when prepared in water of ambient temperature.
   F. Moisture and crude fiber.
   G. Nutritional value
   H. Energy density
   I. Safety:- it shall comply with codex alimentarius requirements concerning hygienic. It shall
   - Be free from objectional matter
   - Not contain any amount other poisonous or deleterious substance in amount which may represent a hazard to health (permitted level of ...)

Challenge in new product development

Given to days internse competition, companies that fail to develop new products are putting themselves at a greater risk. Their existing products are vulnerable to changing customer needs and tasks, new technologies, shortened product life cycles, and increased domestic and foreign competion.

At the same time, new product development is risky. It continue to fail at a disturbing rate. The new product failure rate in packaged goods (consisting Mostly of line extension) is estimated at 80% (power, 1993).

In case of faffa food share company challenges faced are market penetration i.e getting the customer accustomed with the production and in case of importing machinery major parts are lost during transportation from part to part.

In a separate study of successful product launches in the electronic industry, found eight factors accounting for new product success. They found new product success to be greater, the deeper the company's understanding of customer needs, the higher the performance to – cost – ratio, the earlier the product is introduced a head of competion, the greater the expected contribution margin, the more spent on announcing and launching the product, the greater the cross-functional team work (Madique and Zirger, 1984).

Why do new products fail? Several factors may be responsible but in case of faffa food share company there two factors may be responsible for the failure in implementation:

- The actual production is not well designed
- The new product is incorrectly positioned either for the market purpose or for the company.

Factors affecting the implementation of Cornflakes and soyabean milling project

In case of faffa food share company the major point in which they fail in developing or implementing the new products is due to the lack of feasibility study about the product which they wanted to develop. But the greatest problem for the factory not to continue in the process of developing the product was the loss of parts of the machinery at the port of the Assab and Djibuoti during the transition period.

As mentioned earlier, there was a machine bought from Roterdam in 1983 to develop the project underlined above with the cost of 4,481,000 swize Frnace. In 146 containers (boxes) out of which 10 boxes were lost at the port of Asab and Djibouti. At the time the factory the parts of the machine in 136 boxes (container) they costed 6,928,197 birr but after the privatization the Auditors have revalued the parts to 4,675,000 birr.

The board of directors have decided during the meeting held on 24/06/92 to contact the company that sold the machine to the Factory and present a request to the company to come into Ethiopia and help the faffa food factory for study the way to find the missing parts of the machine and the way to make use of the machine. It was also decided that any decision will be passed according to the replay the company gives. The buhler company wanted 390,000 swize france for the missing machine and 329,500 for the agents involved on studding and also on planting the machine and also for the commission. This request from the Buhler company came after the company made contact with it through the letter the company wrote on December 13/1999 to restart the work.

On march 14/2000 the company present a proposal to CDI (Center for development Industry). This proposal is about the study of the machinery, plantation and the kinds of training the machine needs.

The company were able to get a good replay from CDI, and then they received a proposal explaining that CDI and Alisun (food technology company) together with Buhler are planning to do only the extrusion work for project studying and training. According to the proposal the work needs 29,490 Euro, out of which 26,300 Euro is covered by CDI and the rest 33.4% (13,190) is covered by faffa food company.

Hence if this project is made possible it enables the company to advertise the new products, enhance quality level and makes the company strong competitors and moreover they can know this machine, which is currently making no monye, is damaged and what it can do in the future for the reasons stated above they ask the board of director to meet and discuses about the 13,190 Euro budget that enables the factory to do the work according to the proposal.

The buhler company then presented the following proposal for the faffa food share company.

1. **primary work**

The primary work is to identify the missing machinery and to study whether the existing machinery kept for 9 years in the 136 boxes are damaged or not. To do this work it is estimated that 4(four) weeks are needed. And the cost of this work is estimated to be 36,500 swize franc or based the foreign currency exchange policy decided on 5/7/93 the cost is equal to 183,711.80 birr. This money goes to the purchasing of air ticket, Hotel service, allowance and Insurance.

2. **Second work**

It is estimated that 100,000 siwze franc or 403,370 birr is needed to replace the missing electrical equipment in the boxes which is identified by their numbers. Five expertise are needed to plant these equipment and for there expertise different costs are estimated to be 240,000 siwze franc or 1,207,968 birr.

3. **Tertiary work**

Out of the missing "cornflakes" producing machinery those placed in the containers identified by the numbers given are estimated to cost 290,000 swiz france or 1,459,628 birr.

The soyabean milk producing machinery

The cost of the experts on Hotel service, allowance and salary or Insurance is 33,000 swize franc or 166,095.60 birr. However this price holds only if this work is done together with the secondary work but the company do not think this work would take place since all the machinery that produces soyabean milk is lost.

Since the faffa food share company can not cover all the money required by the Buhler they present a proposal on March 14/2000 to the company known as CDI which is found Brassels. This proposal enables the factory to get technical as well as financial support from other company. The proposal deals with the support the company need on the general study and plant from of the machinery and also focuses on the kinds of training dealing with decisive control system of food quality. The CDI decided to cover certain percentage of the money requested by the Buhler, this company also divided the project into two.

The 1st work deals with the study of the machinery and the system to control food quality and the second work deals with the plantation of the machinery. The Buhler company requests 183,711.80 birr for the study. To make the best study a training is given by the experts from Alisun food technology company. This training focuses on the decisive control system of food quality which is the current policy of our world's food technology.

The general cost for the training and study works which also include the money requested by the Buhler company is 39,490 Euro which is equal to 305,843.75 birr according to the foreign policy exchange stated on 5/7/93. Concerning the cost which are expected to cover 13,190 Euro or 102,154.45 birr. The rest of the money that is 26,300 Euro or 203,689.30 birr is expected to be covered by CDI.

The replacement and the plantation of the machinery is seen as a secondary level work. This work is estimated to cost in general 683,000 franc or 3,437,675.60 birr. If faffa food share company reduce the cost of the soyabean producing machine which is 33,000 from the general cost the cost in general would be 650,000 swiz franc or 3,271,580 birr. However this work is done after the function of the machinery and their capacity is known.

The company now realized that it is possible to present a proposal step by step which request and aid from the CDI or other organization that can cover the cost of for the factory.

Still now this project is in the process and the machinery is not planted. In 1993 E.C. on the meeting the responsible department asks to take the total feasibility study about the market condition, how to introduce the product, market penetration... etc before having any training if the lost material is found and planted and the board of director and the manger decided everything at this meeting.

But the general manger transferred to the other company or leave faffa food factory and as a result the new manager wanted to have an idea about the total project ---- and because this high turn over in higher position still this project is not completed and the budget time for 1993 is completed and the total feasibility study is shifted to 1994.

So, rather than leaving new product development idea or activity to any one who happens to be interested perhaps in engineering, R and D or sales successful companies put someone in charge... a person, department or committee.

Managing the new product process

Identifying and developing new product ideas and effective strategies to go with them is often the key to a firm's success and survival. But this isn't easy. New product development demands effort, time and talent and still the risks and costs of failure are high. Experts estimates that consumer packaged goods companies spend at least $20 million to introduce a new brand 70 to 80% of these new brands flop. In the service sector the front end cost of a failed effort may not be as high, but it can have a devastating long-term effect if dissatisfied consumer turn elese were for help (the wall street journal 1992).

A new product may fail for many reasons. Most often companies fail to offer a unique benefit or underestimate the competition. Sometimes the idea is good, but the company has design problems or the product cost much more to produce than was expected. Some companies rush to get a product on the market without developing a complete marketing plan. (Business week, 1991). But moving too slowly can be a problem too with the fast pace of change for many products, speed entry into the market can be a key to competitive advantage. To move quickly and also avoid expensive new products failures, many companies follow an organized new product development process.

The consumer adoption process

How do potential customers learn about new products, try them and adopt or reject them? Management must understand this consumer adoption process to build an effective strategy for early market penetration. [Adoption is an individual's decision to become a regular user of a product.]. The consumer adoption- process is later followed by the consumer loyality process. Which is the concern of the established producer.

Finding and Recommendation

As mentioned earlier that if corn flakes and soya bean Milling project was completed the company will benefit much and remain as a good competitor on the Market, since this project will boost its sales and profit. But due to the following problems all these dreams of the company remain unfulfilled.

The major problems were:-

1. Loss of some parts of the machinery

The loss of 10 boxes of the Machinery create a major obstacle in building the Cornflakes and soya bean Milling project during the transition period.
The company only found 136 boxes out of the total 146 and because of these gap the project is stopped since it is impossible to carryout without the lost components.

Hence if this project made possible the company can develop the new products not only the Cornflakes but also the machinery has the capacity to develop different kinds food product and these products can substitute the imported food products since various types products can be produced with these milling project. That is, it is possible to have a variety of food products once these machinery is built but for some period the company might focus to develop these cornflakes and soya bean only.

Due to high turnover at the top level of management there project could not be completed and the finding of the lost machinery needs a great amount of money but the management (er) could not make it easy for the others who study or responsible for these work and as one manger (Top) is replaced by the other the one who are new for the project needs a highlight or idea towards their activity and this will creat a problem of timelag for their project activity and the budgeted time will be elapsed and wait for another year to finalize it.

All these problems are without any solution till now and the general manger as well as the other who are responsible for project do not care about the importance of having such kind of new

project for the company. Still now there is no hope about the continuation of these project since those assigned for these work is not responsible for it.
The second major problem for which the project is not completed till now is that:-

2. Lack of detailed feasibility study

Before the beginning of undertaking the project they have to conduct the detailed feasibility study and analysis towards the importance and benefit of these new project but they simply agreed with the Buhler company to install the Machinery in the faffa food share company.
If they conduct the feasibility study about why they need these kind of project? What is the benefit with its cost? How does the society or user will benefit from what the company will provide and what is the market condition and how they will penetrate the Market with there new diversified product and become the market leader? --- etc there would not be such a difficult problem for the company as well as for those top managers and quality controllers and others who are responsible for these activity. But due to lack of a feasibility study before deciding on the agreement with the foreign company's they should have considered all the advantages and disadvantages of establishing the new project.

The company spends much of its money on different expertise in Finding the missing part of the machinery again and again. If it had made some agreements initially between the Budher company in case such losses happen while transporting the Machinery they could have recovered those losses. But, now the company is suffering from spending too much money on different kinds of related project activities (Cornflakes and soybean milling project.)

The responsible departments will be aware about the importance of the new project since the feasibility study guide and cover all aspect of accepting or rejecting the project and subsequently there would not be any problem when one responsible department is replaced by another because they simple can use the feasibility study that has been made before the project is decided to be established.

Feasibility analysis is very important because it helps the company to identify whether the project is technically, economically, and operationally feasible.

When the project is economically feasible the financial problem for under taking the project will be minimized. It is known that it will be difficult for any company to cover all the money for the accomplishment of the project or investment so they need some credit loan either outside or inside the company for not to face any financial problem while doing the project. But faffa food company didn't recognize the economical feasibility of the company and face financial problem while finding the missing part of the machine.

Since the company didn't consider the importance of having feasibility analysis either economically, technically and operationally things that should be completed at the right time would not be completed and would cause difficulties for further activities even if the whole part of the machine is found and built they have to wait for some year until they got the training on how to use the machinery. It is also noted that the machinery has kept for long period without serving the company and they may be damaged and needs some repair or replacement which may create additional cost.

Generally, since the responsible department and the top management is not efficient towards these project it would be better if research and development are assigned and finalize the project for faffa food share company rather than assessing ways of accomplishing and spending too much many on the new project which can't be completed from its beginning.

Conclusion

All the information was gathered form the focus group based on the objectives of the study but the focus group did not respond as expected and the researcher failed to achieve some of the objectives of the study.

The company has a problem of sales and profit since the larger society did not use or benefit from most of the products of the company due to the higher price of each product as well as less promotional activities. This was the result of using few distribution channels for its products and its giving greater focus for WFP and other private organization to distribute its product and its seasonal sales that depend on WFP and UNICEF for order delivery.

Through the introduction of low cost extrusion line the company diversified its products to solve its sales and profit problem but these action could not lead or encourage them to develop a variety of new products. Even, they failed in the new project which has the capacity to produce around 24 kinds of food products.

Generally, these research study may be relevant for those flour processing companies since they are in similar activity and it may not be relevant for other food or flour processing companies because they may have a variety of objectives which are far from faffa food share company.

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